Family Finance

The Cost of Raising A Child: 2004

Children can bring great joy and fulfilment that cannot be measured in dollars. Nonetheless, raising a child is a costly endeavour.

This fact sheet gives information about how much it costs to raise a child. The costs shown are taken from ***Budget Guides,*** *a database produced by Manitoba Agriculture, Food and Rural Initiatives which details guidelines used for the family living costs in this fact sheet. They are based on an inventory of goods and services needed to maintain physical and social well being.*

Non-economic costs and benefits are not considered here.

Guides for 2004

Depending on a family's income, values, goals and lifestyle, even needs can be subjective. What one family considers essential may not be necessary for another. Family living costs must be adjusted according to each individual situation.

Costs in this fact sheet are in **current dollars** based on regular priced, new items. Pricing was done during November, 2003 – January, 2004. No allowance is made for future inflation. These costs are not intended for use as a minimum standard of living. However, some categories priced meet only basic needs, e.g., food and household operations.

Figures are based on raising one child. Two children will not double the costs of some types of expenditures. For example, Manitoba Blue Cross health insurance costs do not increase with more than one child. Other examples are the opportunity to "hand down" clothing and toys, and to have a child over 12 baby-sit a younger sibling which can reduce child care costs.

NOTE: *This fact sheet is intended to provide an overview of costs involved in raising a child. These costs should* ***not*** *be used verbatim in any legal proceedings.*

Economic Costs

Financial gains that are given up as a direct result of a child's presence are known as economic costs. These costs may be classified as **direct costs** (*actual dollars that must be spent*) and **opportunity costs** (*such as income foregone by a parent remaining out of the labour force to raise a child*).

DIRECT COSTS are expenditures such as food, clothing and health care. These expenses vary by region (*whether the family lives in Winnipeg, rural or northern Manitoba)* and the standard of living. It follows the budget categories found in a family's spending plan.

Food costs are based on a food basket that recommends feeding patterns published in the **1998** ***Monitoring the Cost of a Nutritious Food Basket Protocol*** from the Ministry of Health in Ontario. It uses the current recommendations as defined by the Nutrition Recommendations (1990) and Canada's *Food Guide to Healthy Eating* (1992). Infant standards have been modified according to the ***1998 Nutrition for Healthy Term Infants*** statement by the Canadian Paediatric Society, Dieticians of Canada and Health Canada.

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The food costs quoted here are based on the average of prices from three different Winnipeg supermarkets. It must be remembered that the food costs given are to meet nutritional in-take needs. They do not reflect the costing of a family's eating pattern which may include the use of convenience foods or some meals eaten away from home. Factors such as extra snacks, cultural foods, etc. will increase food costs for most families. Each family will also have to adjust the cost of the basket related to their family size. See ***Family Living Costs: 2004*** for details in how to make this calculation.

Shelter costs vary significantly depending on such factors as ownership, size, age, condition and location of the home. For the purpose of this fact sheet, the shelter cost is calculated as the difference between the average cost of a one bedroom and a two-bedroom apartment in Winnipeg. Even if the cost of the home is not calculated, one should consider increased utility costs. Another person in the home means increased lighting requirements, energy use in cooking, hot water heating (*for baths and laundry*) and space heating *(heating requirements increase the more frequently a door to the outside is opened*). It is possible to roughly estimate how much these costs might be. The average cost for each utility would increase about 10 percent per child.

Furnishings include furniture for a child's room and increased wear and tear on the rest of the furnshings and equipment. Annual figures reflect the replacement costs calculated over specified numbers of years related to the average life expectancy of each item. The cost of furniture and equipment for an infant is included in infant clothing costs because replacement is not required.

Household operation includes such items as laundry, cleaning supplies and paper products. Cost is based on the difference between the costs for one and two persons. Laundry costs of an infant include increased laundry using special products. Laundering of diapers is calculated for two and a half years.

Clothing costs are based on inventories of items appropriate for different age groups and sexes. The normal wear life of each item is taken into account in establishing the figures. Infant costs include $564 for clothing and cloth diapers and $1,156 for bedding, furniture and other baby needs, which are normally one-time purchases. First year costs would be much lower for subsequent infants if these items were reused. If disposable diapers were used instead of cloth diapers, the additional expense for two and one half years of using diapers (*including reduced laundering costs*) would be $1,345.

Health care includes the difference between the cost of Manitoba Blue Cross Medi-Blue Plan for a single person and a family. Included is an annual dental check-up, cleaning and fluoride treatment, but not dental work, such as fillings. Dental costs might be lower if the family has group dental insurance through their place of employment. Other special needs, such as eyeglasses, are not included. Medicine Chest Supplies for a family of one or two are $50, where as for a family of three to five, it would cost approximately $99 per year.

NOTE: *The general health of the child can alter costs in this section. For example, prescriptions are not included. In addition, a child with a medical disability, or other health concern, would affect many, if not all, of the expenditure categories. Costs would vary depending on the type and level of disability.*

Personal care costs are for such needs as haircuts, shampoo, toothbrushes and toothpaste. As a child reaches his/her teens, allowance is made for items such as deodorant, shaving supplies and sanitary products.

Recreation, reading, gifts (*to others*) **and school needs** provide for only the basic needs for the well-being of a child. Costs could easily double or triple depending on age and involvement in recreational activities. Included are reading materials, toys and games, a bicycle, some sports equipment, and membership or lessons in one activity. Recreation costs do not include more expensive interests, such as private music lessons, dancing or gymnastics, competitive hockey or ringette. Summer activities for school age children under 12 years assume free recreation programs combined with babysitting.

School needs cover school supplies, clothing for physical education and some incidentals. Costs do not include expenses related to graduation, as they are a matter of choice. Attendance at or savings for post-secondary education are not included.

(*For further information see the fact sheet called* ***Investing for Education****, 1999*)

Children's allowances are included in the overall costs. The amount for which a child may be responsible will depend on his/her age and maturity and the financial resources of the family.

Transportation costs often increase with the presence of a child. Whether it is to transport a child to and from school or the sitter, or the use of a car by a teenager, the kilometres add up quickly. Such demands may mean considering the variable costs associated with increased auto use (*oil, gasoline, maintenance and tires but not insurance, licensing and depreciation*). These costs can be roughly estimated at $.14 per kilometre.

Public transportation, where available, is another option. For the purpose of this fact sheet, the cost of public transit in Winnipeg is used. It is recognized that this may not be an option in many rural or northern communities.

Child care costs vary depending on the availability of extended family to care for children and the type of day care facilities in the area. The need for child care services will also differ if there is a parent at home. This fact sheet uses costs without subsidies for licensed day care for a single working parent. Depending on the number of children in day care and family income, day care subsidies could reduce these costs significantly.

Opportunity Costs

Opportunity costs will vary from situation to situation. When computing these costs, consider earnings foregone or the value of extra time spent in household activities directly related to the presence of a child.

Opportunity costs can be calculated by multiplying the number of hours of employment lost times the wage rate that could have been earned. Maternity leave benefits should also be taken into consideration.

Any long term effects of not paying into Canada Pension Plan or a company pension are opportunity costs. There may also be other costs that are not easily calculated. Examples are the foregone opportunities for advancement and experience in the work-force for a parent who temporarily leaves the labour force.

Economic Benefits

Balanced against the economic costs are **economic benefits** of having children. One benefit could be that children may perform duties at home or in a family business that have economic value. Older children may seek employment to cover some of their own costs or to supplement family income. Other benefits are provided by the federal and provincial governments through transfer payments, tax deductions and tax credits.

NOTE: *These benefits are not automatic and require the completion of either application forms or sections of your income tax return.*

The figures given are general guidelines for 2004. Programs may change, therefore it is important to confirm whether benefits have remained the same at the time of application.

- ***The following benefits are based on completing an income tax return:***

The **Canada Child Tax Benefit (CCTB)** is aimed at low and middle income families. The amount is based on the age and number of children, family income and your child care expenses. Benefits are paid monthly, and are non-taxable. There is a basic benefit for each child under 18, and a supplement for the third and each additional child. As well, there is an additional supplement for each child under age seven. The CCTB also includes a supplement for low income working families. The supplement is based on the number of children and family income. There are increases to the amounts used to calculate the benefit in 2003.

NOTE: *A family applies for the CCTB by completing an application form and the benefit continues based on the filing of an annual income tax return.* For further information call toll free 1-800-387-1193, or contact your local Canada Customs and Revenue Agency tax service centre.

Child Care Deduction requires receipted child care expenses for children 16 and under which are deductible from income when completing an income tax return. Additionally, you may claim child care expenses paid to allow you or your spouse to go to school part-time. You may be able to claim more for a disabled child.

The "Equivalent to Spouse" Credit may be claimed if at any time in the year you met certain conditions.

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The Goods and Services Tax (GST) Credit is a federal credit designated to assist lower and modest income Canadians. Credits are based on a combination of family size and income. There are increases to the amounts used to calculate this credit in 2003.

Consult your 2003 General Tax Guide for details or call Canada Revenue Agency at 1-800-959-8281. Information and forms are available over the Internet at www.ccra-adrc.gc.ca

- ***Manitoba Tax Credits include the following and are claimed thorugh an income tax return.***

The way you calculate your Manitoba tax has changed. It is calculated in the same way as federal tax.

Manitoba Tax Reduction is a non-refundable tax deduction designed to assist lower income families and individuals.

Credits that may be applied for include:

- **Personal Tax Credit** (replaces the Manitoba Cost of Living Tax Credit) is a refundable provincial credit. Refunds are based on a combination of family size and income.
- **Property Tax Credit**
- **School Tax Credit for Homeowners**
- **Learning Tax Credit**

- ***In Manitoba there are two additional support programs available to employed parents. These are applied for through application forms and include:***

Child Related Income Support Program (CRISP) is a provincial income supplement program providing monthly benefits to low income families to assist with the cost of raising children. The benefits are non-taxable. For information call **CRISP** toll free at 1-800-563-8793, or in Killarney call 523-5230.

Shelter Allowance For Family Renters (SAFFR) is a provincial program that provides monthly benefits to lower income families with dependent children when they must spend over 25 percent of their income on eligible rental costs. The benefits are non-taxable but reduce your **Manitoba Property Tax Credit**. For further information call Provincial Services in Winnipeg at 945-2197, or toll free at 1-877-587-6224.

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Cost of raising a boy to age 18*

Age	Food	Clothing	Health Care	Personal Care	Recreation Reading Gifts School Needs	Transport-ation	Child Care	Shelter Furnishings Household Operation	Total
Infant	1,507	1,720	141	0	0	0	4,568	2,157	10,092
1	804	399	141	112	571	0	6,200	2,294	10,520
2	866	386	141	112	571	0	5,200	2,256	9,531
3	866	386	224	112	571	0	5,200	2,218	9,576
4	1,156	386	224	112	571	0	5,200	2,218	9,867
5	1,156	386	224	112	648	75	5,200	2,218	10,019
6	1,156	465	224	112	729	75	3,805	2,218	8,785
7	1,423	465	224	109	979	75	3,805	2,218	9,296
8	1,423	465	224	109	979	75	3,805	2,218	9,298
9	1,423	493	224	109	979	75	3,805	2,218	9,325
10	1,732	493	224	109	979	75	3,805	2,218	9,635
11	1,732	493	224	109	979	75	3,805	2,218	9,635
12	1,732	915	260	202	950	509	0	2,218	6,786
13	2,025	915	260	202	950	509	0	2,218	7,080
14	2,025	915	260	202	962	509	0	2,218	7,092
15	2,025	866	260	295	1,132	509	0	2,218	7,305
16	2,357	866	260	295	1,132	509	0	2,218	7,637
17	2,357	866	260	295	1,132	509	0	2,218	7,637
18	2,357	866	260	295	1,348	509	0	2,218	7,853
TOTAL	**$30,120**	**$12,745**	**$4,265**	**$3,001**	**$16,161**	**$4,094**	**$54,397**	**$42,189**	**$166,971**

Cost of raising a girl to age 18*

Age	Food	Clothing	Health Care	Personal Care	Recreation Reading Gifts School Needs	Transport-ation	Child Care	Shelter Furnishings Household Operation	Total
Infant	1,507	1,720	141	0	0	0	4,568	2,157	10,092
1	804	488	141	112	571	0	6,200	2,294	10,610
2	866	537	141	112	571	0	5,200	2,256	9,683
3	866	537	224	112	571	0	5,200	2,218	9,728
4	1,156	558	224	112	571	0	5,200	2,218	10,038
5	1,156	558	224	112	648	75	5,200	2,218	10,191
6	1,156	521	224	109	729	75	3,805	2,218	8,837
7	1,351	521	224	109	979	75	3,805	2,218	9,282
8	1,351	521	224	109	979	75	3,805	2,218	9,282
9	1,351	540	224	109	979	75	3,805	2,218	9,301
10	1,578	540	224	109	979	75	3,805	2,218	9,529
11	1,578	540	224	109	979	75	3,805	2,218	9,529
12	1,578	1,060	260	339	950	509	0	2,218	6,915
13	1,711	1,060	260	339	950	509	0	2,218	7,048
14	1,711	1,060	260	339	962	509	0	2,218	7,060
15	1,711	1,099	260	426	1,132	509	0	2,218	7,357
16	1,639	1,099	260	426	1,132	509	0	2,218	7,285
17	1,639	1,099	260	426	1,132	509	0	2,218	7,285
18	1,639	1,099	260	426	1,348	509	0	2,218	7,501
TOTAL	**$26,349**	**$15,159**	**$4,265**	**$3,935**	**$16,161**	**$4,094**	**$54,397**	**$42,189**	**$166,549**

* These projections are based on **Budget Guides 2004** data and do not include Inflation.

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■ **SAMPLE BUDGET – 3 person family in Winnipeg Woman: 25-49 yrs., white collar worker, girl 3, boy 6. Renter. No car. (excluding risk management and savings)**

	Month	Year	Percent of Total
Food*(1)*	$316.28	$3,795.31	12
Shelter	829.76	9,957.16	30
Home Furnishings & Equipment	89.03	1,068.30	3
Household Operation	35.82	429.82	1
Clothing	187.22	2,246.62	7
Health Care, Dental & Medicine Chest*(2)*	56.83	681.98	2
Personal Care	57.56	690.71	2
Recreation,Reading Gifts & Contributions	355.26	4,263.09	13
Communication	45.75	549.02	2
Transportation	103.33	1,239.90	4
Child Care	658.75	7,905.00	24
TOTAL	**$2,735.58**	**$32,826.91**	**100**

(1) Food basket costs adjusted by +5% for family size.

(2) Blue Cross Medi Blue Plan, annual dental check-ups/ cleaning and Medicine Chest.

■ **SAMPLE BUDGET - 4 person family in Winnipeg Man: 25-49 yrs., blue collar worker. Woman: 25-49 yrs., white collar worker, girl 15, boy 13. Homeowners with mortgage. Car with loan. (excluding risk management and savings)**

	Month	Year	Percent of Total
Food*(1)*	$625.07	$7,500.81	15
Shelter	1,218.66	14,623.90	30
Home Furnishings & Equipment	111.10	1,333.17	3
Household Operation	44.13	529.60	1
Clothing	291.06	3,492.75	7
Health Care & Medicine Chest Supplies *(2)*	75.06	900.68	2
Personal Care	117.64	1,411.72	3
Recreation, Reading, Gifts & Contributions	495.94	5,951.29	12
Communication	51.98	623.71	1
Transportation *(3)*	1,050.34	12,604.10	26
TOTAL	**$4,080.98**	**$48,971.73**	**100**

(1) Food basket costs do not need adjustment for family size.

(2) Blue Cross Medi Blue Plan, annual dental check-ups/cleaning and Medicine Chest.

(3) 24,000 km plus bus fare for one spouse and children (Winnipeg).

Notes:

- *Life and disability insurance, are essential to provide financial protection for the unexpected. The amount included in the budget will depend on both what is needed and other resources available (e.g. savings, assets, groups insurance, etc.).*
- *Savings to achieve long term goals are an essential part of any budget. The amounts will vary depending on the family situation and what the goals are. See other fact sheet series for additional information.*

For further information:

- The guidelines in this fact sheet should be used only as a benchmark for calculating the cost of child rearing. Each family has a unique set of circumstances that must be considered. For more information, contact a Manitoba Agriculture, Food and Rural Initiatives home economist in rural communities.
- The fact sheet ***Family Living Costs: 2004*** summarizes costs for adults as well as children. It is useful for establishing a family budget and is available from your Manitoba Agriculture, Food and Rural Initiatives home economist. Other fact sheet series may be useful references: ***Finances for Families*** and ***Building Financial Security***.

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